

**REMARKS OF READ VAN DE WATER
ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF TRANSPORTATION
AIRPORTS COUNCIL INTERNATIONAL-NORTH AMERICA
AIR SERVICE SEMINAR
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It is great to see you again. Last year's Air Service Seminar was held just three months after the terrorist attacks of September. I spoke to you then about the new challenges for America and our aviation industry resulting from those attacks. Today, I would like to provide a brief summary of the progress we have made meeting those challenges. I would also like to outline our views on the role of government in aviation in the aftermath of 9/11, and to bring you up to date on our international aviation agenda. And, as always, I look forward to listening to your views on these issues and other concerns.

Aviation Security

Aviation security remains a top priority of this Administration. Our goal is to achieve world-class security and world-class service. To meet this goal, President Bush signed into law important Federal legislation, including legislation creating the Transportation Security Agency, and most recently, legislation creating the Department of Homeland Security. As to the TSA, our mandate was to create a fully operational agency that would -in one year's time- conduct passenger screening at every airport and provide effective air marshal services.

I am pleased to report that we have met these important objectives. Extensively trained federal passenger screeners are now on duty at every airport in the country, and we have recruited and deployed thousands of new TSA marshals - on time and on budget.

Secretary Mineta has recently highlighted three priorities in the year ahead: Manage the peak holiday season well; meet the December 31 baggage screening deadline; and carry out an effective transition to the Department of Homeland Security.

We are off to a good start in addressing these priorities. According to the AAA, more than five million travelers used our nation's airports over Thanksgiving—an increase of more than six percent over last year's holiday travel. And, it appears that the new TSA security programs operated smoothly as most of the five million passengers reached their destinations on time, or nearly so. That is good news for virtually everyone, including, in particular, those of us who believe in the long-term success of our aviation industry, and who believe that we can balance the needs of security with the need for first-rate customer service in order to ensure that success.

Like everyone else here, I fly. I now arrive at airports earlier than I did before 9/11. I have waited in long airline check-in lines. I have been searched. In short, I have come face-to-face with the necessities of aviation security, at least at this time. But I also know that we are working with experts like ACI and its members to address the so-called “hassle factor”, and that we have made progress in this area. For example, with your help, the TSA has developed a complete “lower-the-hassle” guide to effective travel planning, and has worked with you to disseminate the information in the guides to the public. It looks like our joint efforts to facilitate air travel produced encouraging results during Thanksgiving.

We are also moving forward with important initiatives in the technology area, including efforts to develop next generation technologies for use at airport checkpoints and to inspect checked baggage. However, as Admiral Loy noted at your recent annual meeting, since there is simply no magic technological bullet in the near-term, and we must continue to work hard to improve the efficiency of the airport security process with the resources that are now available to us. We are now doing that.

[As to baggage screening, I would like to point out that we are working furiously to meet the statutory goal, which is to deliver advanced technology and personnel to do 100 percent baggage screening by December 31, 2002. We have already met that goal at 100 airports. Secretary Mineta recently announced that we will have a permanent baggage screening solution in place at over 400 airports by the deadline, and that we expect to implement enhanced interim solutions at the remaining airports by year’s end. That is good progress and you will be seeing more of it in the days ahead.]

I think that it is fair to say that we have achieved a lot in relatively short period of time in the critical area of enhancing aviation security. We have moved forward because we share fundamental aviation objectives, because we have been able to rely on a tried and true partnership to work together to achieve those objectives, and because we have committed substantial resources to enhancing aviation security and to partially ameliorating the damage that the events of 9/11 did to our aviation industry. However, while these considerations have helped us deal with some of the adverse effects of 9/11, they have also raised some questions about the role of this government in aviation, including, in particular, whether our recent involvement in aviation security and recovery signals the beginning of a new era of greater governmental supervision of airline and airport operations.

I would like to respond to these questions today because of the fundamental domestic and international aviation policy issues that they raise. In order to do that, I would like to share with you my views on the proper role of government in aviation and how that role relates to recent events.

The Role of Government in Aviation

Governments have been closely associated with aviation for decades. In fact, the system that now governs international aviation was created nearly 60 years ago by governments to be run by governments. That system is built on the principle that every nation has the right to control access to and from its territory, and therefore, has the right to regulate international aviation services between its territory and the territory of other nations. Unfortunately, many nations have used that right to protect their airlines from competition, and in many markets that protection worked to prevent airlines from providing the services that consumers wanted and public benefits that would be naturally derived from a truly competitive aviation system.

The U.S. government was an active participant in this system from the beginning. We regulated international aviation services through restrictive bilateral aviation agreements, and tightly regulated domestic services for more than forty years. When it became clear, however, that regulation was harmful to the interests of our consumers, airlines and our economy, we decided to take action to limit the government's role in aviation, to enhance the central role of the marketplace, and to allow for more creative airline management: we deregulated our domestic aviation services and we have worked closely with other nations to liberalize our international aviation agreements.

Our actions in both domestic and international aviation were guided in large part by a fundamental principle: we believe that governments have an important role to play in aviation in areas such as safety, security, competition, and the environment. Beyond those areas, however, we believe that governments should simply create the framework for vigorous competition and allow the marketplace to take over.

The Post-9/11 Environment

The events of September 11 have certainly had an enormous impact on the aviation industry, both at home and abroad. Many airlines are now struggling as a result of the combined effects of the aftershocks of September 11 and the softening of demand for aviation services that preceded that now infamous date. As I have already indicated, we are now actively involved in dealing with the serious issues faced by the industry following September 11 and are working closely with you and other members of our industry to find solutions to those difficult issues.

Our joint efforts have produced prompt, effective results. Some of those efforts, however, also created new U.S. government involvement in areas that were previously considered to be within the realm of the private sector. For example, in addition to assuming the responsibility for providing security at our nation's airports, the U.S. government established a compensation program for U.S. carriers, to partially—and I emphasize partially—make up for the billions of dollars lost when our domestic airspace was shut down for several days due to the terrorist attacks. The U.S. government also established a loan guarantee program and, like many of our allies, stepped in to assist with war risk insurance for our carriers.

It is in this context that questions have been raised about the meaning of these recent U.S. government actions. Questions like: Have we decided to increase government involvement in the airline business? Have we decided to back away from our commitment to providing airlines with the opportunity to make their own business decisions? Are we interfering with the normal operation of the aviation market? And finally, are we backtracking on our commitment to a pro-competitive international aviation agenda?

The answer to each of these questions is an emphatic **NO**. These are not normal times, and we have yet to see a full return to normal aviation markets. We are not attempting to run our airlines, and we are certainly not attempting to interfere with airline innovation and competition.

We are, however, acting in response to an extraordinary, horrific event that has severely affected our airline industry and our nation. And we are acting to preserve the benefits of deregulation and liberalization by working to maintain an effective framework for vigorous competition in the airline industry. Let me emphasize that when we are successful, we intend to refocus our efforts on policies that will ensure the most efficient movement of people and goods through the aviation system.

These core considerations have provided the basis for our 9/11 aviation related initiatives. We created the TSA in the interest of protecting our national security. And since effective aviation security is essential to the survival of our aviation industry, our action has helped promote the benefits of deregulation. For similar reasons, we have also provided emergency relief to airlines that were in dire need of financial stability and war risk insurance, which, as you also know, was cut off as a result of the terrorist attacks, to ensure that consumers and communities continue to enjoy the benefits provided by our competitive aviation system. Had several of our carriers simply been left to fail, this could have substantially reduced competition in our aviation markets.

All of these initiatives are now working together to produce their intended results. Competition remains vigorous in both domestic and international aviation markets. Consumers continue to receive a wide range of different service products, and airlines have been given the opportunity to implement new service innovations while making system adjustments in response to the challenges that they now face. Despite these improvements, it is ultimately their high cost structures that most U.S. airlines have to improve before they can return to profitability.

Our International Aviation Agenda

As for international aviation, we continue to move closer to the day when governments are no longer intimately involved in aviation decisions that can, and should, be left to the market. Since our arrival nearly two years ago, the Bush Administration has worked to increase the number of open-skies agreements, support pro-competitive industry initiatives, and develop alternatives to bilateralism.

Open-skies agreements are our primary vehicle for eliminating restrictions on airline operations contained in our bilateral aviation agreements, and for using those agreements to increase competition in international aviation services. We now have open-skies agreements with 59 nations located in every region of the world that have provided huge public benefits. They have improved service, lowered fares, and created new travel options in thousands of international markets. These benefits are a product of the opportunity and incentive open-skies agreements have provided airlines to innovate, become more efficient, and develop new product lines that better meet the needs of consumers.

Airlines have taken advantage of this opportunity by entering into new partnerships with foreign airlines that range from relatively simple code-sharing arrangements to highly integrated airline alliances. The Department has long supported airline partnerships that promote competition and consumer welfare, because when combined with other opportunities provided by our open-skies agreements, these partnerships have substantially increased service and competition in worldwide aviation markets.

These partnerships have also had other important, but less visible, public benefit: they have provided new opportunities and incentives for reforming the system governing international aviation. Airline alliances need room to grow – room to establish airline service networks that can meet the growing demand for global air service. The bilateral aviation system has denied our airlines that flexibility by relying on artificial restrictions and national borders to regulate airline activity. Bilateral restrictions prevented airlines from linking their services together to develop efficient networks to serve the global market. Borders compounded those difficulties by making it more difficult to eliminate those restrictions.

However, as more airlines have joined aviation alliances, more nations have joined our efforts to reduce the disconnect between that system and the needs of the airline industry and its consumers. Our open-skies aviation program responds to that need by offering an efficient method for eliminating restrictions on airline operations around the world. We are now working with other nations to create a more efficient process for increasing the benefits of open-skies agreements and conducting international aviation relations. It is in this context that we have entered into a new multilateral aviation agreement and have encouraged other nations to adopt a regional approach to their aviation relations.

We are encouraged by initial efforts in this area, as illustrated by the significant progress we have made in the Asia-Pacific Economic Cooperation forum in a relatively short period of time.

APEC has provided a forum for the United States to be part of a multilateral aviation agreement with six other nations: Brunei, Chile, Peru, New Zealand, Samoa and Singapore. We hope that this multilateral open-skies agreement can be expanded to include other nations as well.

Other multilateral agreements are also on the horizon. We look forward to talking to the European Commission about an open EU-US aviation market, if and when it receives a mandate to engage the U.S. on aviation issues. We now have open-skies agreements with 11 of the 15 members of the EU. These agreements have proven to be an effective resource for providing important public benefits, including continuing opportunities for consumers to receive quality service at competitive prices, and opportunities for our alliances to continue to grow and serve the global aviation market. Consequently, these agreements provide a very strong foundation for any new agreement between the US and the EU.

We believe that the recent decision by the European Court of Justice is consistent with this view. The CCJ ruled on a complaint filed by the EU Commission that seven EU-US open-skies agreements were contrary to EU law. Although the Court had difficulties with several common provisions of these agreements, it neither struck these agreements down nor did it prohibit EU members from conducting negotiations with the US in their own right. In these circumstances, we believe that the bilateral option is still available to the US.

Nonetheless, it is ultimately up to the EU and its member states to determine what the ECJ decision means, and what its implications are. Since the ECJ did not, and could not, confer a negotiating mandate on the European Commission, it is also up to these parties to determine whether the Commission should receive a mandate. We have no control over this matter. We will continue to watch and wait. In the interim, we believe that all of our open skies agreements should remain in force so that our consumers will continue to benefit from their presence and so that US and EU airlines will continue to receive a measure of stability in a very difficult operating environment.

In conclusion, let me say that we welcome new opportunities for extending the benefits of liberalization in Europe and in other markets around the world. We also welcome new opportunities for achieving other important aviation objectives, including creating the framework for international aviation services that meets the needs of our citizens. That's where you come in - again. We need your advice. We look forward to your support. I am honored to be able to participate in this important forum and I look forward to continuing to work with you and other members of this organization to ensure a sound, competitive, safe and secure international aviation industry.